

SAN FRANCISCO
PUBLIC UTILITIES COMMISSION

BUDGET COMMITTEE

AGENDAS AND MINUTES

1995 – 1997

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CALENDAR

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Frank M. Jordan
MAYOR

INITIAL MEETING BUDGET COMMITTEE

December 21, 1995
9:00 A.M.
Room 402
1155 Market Street, Fourth Floor

MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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Disability Access

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Presentation and discussion of Budget Proposals for Fiscal Year 1996-97 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the full Commission on the budget.
4. Public Comments

ADJOURNMENT

2.10

1/21/95

MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

**Frank M. Jordan
MAYOR**

INITIAL MEETING BUDGET COMMITTEE

December 21, 1995

**9:00 A.M.
Room 402**

1155 Market Street, Fourth Floor

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MEMBERS

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Robert K. Werbe

DEPARTMENTS

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**Anson B. Moran
GENERAL MANAGER**

**Romaine A. Boldridge
SECRETARY**



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1. CALL TO ORDER: 9:10 a. m.
2. ROLL CALL: Present: Marion E. Otsea, Chair
Morton Miller, Member
Robert K. Werbe, Member
3. PRESENTATION AND DISCUSSION OF BUDGET PROPOSALS FOR FISCAL YEAR 1996-97.

Anson B. Moran, General Manager of Public Utilities, outlined the process that would be used for Budget Committee meetings. He said that the budget is still a "work in progress". More proposals will be submitted at a later date. The proposals are working documents and are not the staff recommendation.

The budget proposals were discussed in detail. Commissioners' comments, requests and concerns are noted below.

PUC Bureaus

Commissioner Werbe requested summary sheets showing combined budget figures and revenues for the PUC as a whole.

Commissioner Miller requested that staff include a column with prior year's actual expenditures on the Object Level Summary sheets.

Chair Otsea requested that staff survey parking garages within a 2 block radius of 425 Mason Street regarding monthly parking fees.

Chair Otsea suggested that more money would be needed for travel in the SPARC budget to enable staff to attend the various industry conferences.

Commissioner Werbe suggested looking into purchasing maintenance contracts when new cars are purchased.

Commissioner Werbe questioned the percentage of engineering costs to project costs.

Commissioner Werbe suggested that Personnel should look into consolidation of labor contract rules. He also urged a crash program on sexual harassment throughout the organization.

The Committee recessed at 11:00 a.m. and reconvened at 11:25 a.m.

Hetch Hetchy

Commissioner Werbe suggested that staff revise the General Fund Transfer amount to \$25 million, delete the Muni Transfer of \$7.5 million and add the savings to the capital program. He also expressed concern about the unit cost of specific equipment and the practice of re-renting houses when a unit becomes vacant.

Lawrence T. Klein, General Manager of Hetch Hetchy Water and Power, stated that staff intended to downsize in the area of providing employee housing by only providing transitional housing for newly hired employees.

4. PUBLIC COMMENTS: There were no comments.

THEREUPON, THE MEETING WAS ADJOURNED: 1:30 p.m.

Romaine A. Boldridge
Secretary

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CALENDAR

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

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BUDGET COMMITTEE

January 3, 1996
10:30 A.M.
Room 402

1155 Market Street, Fourth Floor

MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Discussion of the Budget Proposals for Fiscal Year 1996-97. The Budget Committee will consider recommendations for action by the full Commission. (Continued from the meeting of December 21, 1995.)
4. Public Comments

ADJOURNMENT

2.10
2
3/96

MINUTES
PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Frank M. Jordan
MAYOR

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BUDGET COMMITTEE

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January 3, 1996
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Room 402
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MEMBERS

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Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 10:40 a.m.
2. Roll Call: Present: Marion E. Otsea, Chair
Morton Miller, Member
Robert K. Werbe, Member
3. Discussion of the Budget Proposals for Fiscal Year 1996-97. The Budget Committee will consider recommendations for action by the full Commission. (Continued from the meeting of December 21, 1995.)

Water Department

Anson B. Moran, General Manager of Public Utilities, stated that the funding summary did not include all anticipated rent revenue, also the Hetch Hetchy assessment did not include the agreement with Modesto and Turlock Irrigation Districts, which could be approximately \$4 million.

President Otsea inquired about the amount of money leftover in various capital projects. Mr. Laws replied that depending upon the level of spending the unspent balance fluctuates between \$50-70 million.

Mr. Laws gave an overview of the Water Department budget. The overall increase exclusive of capital projects is 7.7%. There is about 4.8% increase in operating expenditures, 35% increase in programmatic projects, and 20% increase in facilities maintenance. Regarding the increase, about 40% is for baseline adjustments and 60% is for new programs.

The Commission proceeded to review the budget in detail.

President Otsea inquired about the number of cars to be eliminated. John Mullane, General Manager, San Francisco Water Department, replied that staff proposed the elimination of 11 vehicles.

President Otsea asked why the Water Department is located in the Downtown Area where rent and parking costs are high. Mr. Moran replied that the City acquired the property when it purchased the Spring Valley Water Company. He said that the City had looked into selling it many times. President Otsea suggested that the department plan to relocate. Commissioner Werbe said that it could be part of a 5, 10 or 15 year plan.

Commissioner Miller arrived at 11:35 a.m.

President Otsea inquired about the status of contracting out janitorial services. Mr. Mullane replied that the Governmental Efficiency Committee of the Board of Supervisors turned down the department's request and expressed their concern about the possibility of layoffs and the question of whether contract workers would be covered by health benefits. The proposal was put over to the call of the Chair.

Mr. Mullane informed the Commission that the Water Department continues to pay \$960,000 to the Fire Department for maintenance of its Auxiliary Water Supply System (AWSS). President Otsea suggested that this should be part of the discussions on a possible downtown assessment district.

Regarding standby pay, Commissioner Werbe requested that staff analyze the amount of money spent on standby pay and the number of times employees are called to work when on standby pay.

Commissioner Werbe suggested that the department revamp its radio system into one radio channel rather than three. Cheryl Davis, Manager, Water Supply & Treatment Division, stated that the Department of Electricity and Telecommunications will do a study for the department.

Regarding the request for a work order to the Recreation and Park Department for tree topping services, Commissioner Miller suggested requesting a bid from the Department of Public Works. President Otsea suggested that tree topping services be included in the negotiations for "tradeoffs" of services with Recreation and Park.

Mr. Mullane stated that there was an item that was cut from the budget at the General Manager's level which staff wants to reinstate -- that is, instituting a swing shift at the City Distribution Division (CDD) for vehicle repairs. Now the department spends \$70,000 for overtime which could be reduced. Also, repairs would be made while the vehicle would not normally be in use. The cost would be \$38,000, to save about \$60,000 to \$70,000 in overtime. Mr. Moran said that from his experience with the Municipal Railway, swing shifts are supervision problems. He said he had requested additional information from the department.

Regarding the request for travel reimbursement for employees residing in San Francisco and traveling to job locations in San Mateo and Alameda Counties, President Otsea suggested that staff negotiate with the union to eliminate this benefit.

Commissioner Werbe request that staff develop a list of reasonable items for collective bargaining.

The Commission recessed from 12:50 P.M. to 2:10 P.M.

Regarding planning for the Pleasanton Property, Mr. Moran suggested that the Commission put this budget item on hold for now pending the action by the Pleasanton City Council on the three party agreement.

Regarding the Water Conservation budget, Commissioner Werbe expressed the desire to talk to other City Department Heads about the toilet replacement program. President Otsea suggested holding this in abeyance until the City toilet replacement program is resolved.

Regarding the proposed decrease of \$600,000 for Environmental and Regulatory Compliance Administration, staff proposed to return to the Commission on January 11, 1996 with a recommendation.

On the Main Replacement Program, Mr. Moran stated that he would provide the Commission with more background information on the program. President Otsea suggested that staff look into speeding up the replacement program.

Regarding Building and Grounds Preventive Maintenance, Commissioner Werbe suggested building a 10,000 square feet to 20,000 square feet modern office building for \$1 million rather than spending the money on maintenance. He suggested combining the shops into one building in Millbrae. Mr. Moran replied that staff would look at expenditures in the area and report to the Commission.

President Otsea requested a briefing on the issue of cathodic protection relating to the Kaiser Hospital in South San Francisco.

Regarding Watershed Roads Maintenance and Repairs, Commissioner Miller expressed concern about the low mileage of approximately 4 miles per year for road rebuilding. He suggested that staff speed up the program to complete the rebuilding within a 5-10 year period.

The Commission recessed from 4:10 p.m. to 4:20 p.m. Commissioner Werbe was excused at 4:25 p.m.

Mr. Moran said that the new programs have been spread over a 2 year period with the majority of the positions added in the first year.

President Otsea suggested that one or two of the Commissioners participate in discussions of the budget with the Mayor's Office and with the Board of Supervisors.

Regarding the Land Ownership Adjustments Program, President Otsea expressed the view that she was not ready to put money into this program until the Commission had adopted a policy on land acquisition and land disposal.

Thereupon, the meeting was adjourned:

5:40 P.M.

Romaine A. Boldridge
Secretary

2.10
9/96

CALENDAR

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Frank M. Jordan
MAYOR

BUDGET COMMITTEE

January 9, 1996

Immediately following the 1:00 p.m. PUC Regular Meeting
Room 402

1155 Market Street, Fourth Floor

MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Discussion of the Budget Proposals for Fiscal Year 1996-97 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will consider recommendations for action by the full Commission. (Continued from the meeting of January 3, 1996.)
4. Public Comments

ADJOURNMENT

32.10
2
9/96

MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

**Frank M. Jordan
MAYOR**

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BUDGET COMMITTEE

January 9, 1996

**Immediately following the 1:00 p.m. PUC Regular Meeting
Room 402**

1155 Market Street, Fourth Floor

MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

**Anson B. Moran
GENERAL MANAGER**

**Romaine A. Boldridge
SECRETARY**

1. Call to Order: 3:55 p.m.
2. Roll Call: Present: Marion E. Otsea, Chair
Morton Miller, Member
Robert K. Werbe, Member
3. Presentation and Discussion of Budget Proposals for Fiscal Year 1996-97.
(Continued from the meeting of January 3, 1996.)

Water Department

Regarding the Quality and Reliability Enhancement Program, President Otsea expressed concern about increasing clerical staff, in general.

Commissioner Werbe expressed concern about the number and type of employees scattered in several divisions who are working on the right-of-way. Mr. Moran replied that a proposal would be presented to the Commission in the near future to combine Land Engineering with the Land Section.

Commissioner Werbe suggested that staff use bar coding for the water valves and inventory. He urged the department to develop their preventative maintenance program and suggested that staff contact equipment manufacturers and industry associations for information on preventive maintenance and obtain training from the manufacturer.

Regarding the Right of Way Planning Project, President Otsea said that she would prefer to defer this until after the reorganization of the function.

Regarding the Crystal Springs-Restore Wetlands Project, President Otsea suggested contacting the U.S. Corps of Engineers for them to define what needs to be done and then budget accordingly.

Regarding the request for professional service for calibration of meters, President Otsea suggested deleting this item and upgrading the equipment.

Regarding the Niles Canyon Project, President Otsea suggested that the department provide funding for 1/3 of a patrol officer only.

Regarding the Hazardous Tree Program, President Otsea suggested that the program be deferred for another year.

Steve Ritchie presented an overview of the Capital Improvement Program which would be presented to the Budget Committee on January 11, 1996.

Thereupon, the meeting was adjourned:

5:55 P.M.

Romaine A. Boldridge
Secretary

2.10
11/96

CALENDAR

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Frank M. Jordan
MAYOR

BUDGET COMMITTEE

January 11, 1996

10:00 A.M.

Room 402

1155 Market Street, Fourth Floor

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MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

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GENERAL MANAGER

Anson B. Moran, General Manager

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4. Public Comments

ADJOURNMENT



2.10
2
11/96

MINUTES

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 11, 1996
10:00 A.M.
Room 402
1155 Market Street, Fourth Floor

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COMMISSIONERS

Marion E. Otsea, President

Robert K. Werbe

Morton Miller

DEPARTMENTS

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Personnel and Training

System Planning and Regulatory Compliance

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 10:22 a.m.

2. Roll Call: Present - Marion E. Otsea, Chair
Morton Miller, Member
Robert K. Werbe, Member

3. Discussion of the Budget Proposals for Fiscal Year 1996-97 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will consider recommendations for action by the full Commission.
(Continued from the meeting of January 9, 1996.)

Anson B. Moran, General Manager of Public Utilities, announced that in the President's proposed budget, the Hetch Hetchy fee is listed at the formula level -- \$600,000 rounded off shows as \$1 million. On the State level, a proposal to limit a county from approving development within a city's sphere of influence was killed in committee. It would have affected the City's Bernal Property near Pleasanton.

Capital Improvement Program

Steve Ritchie, Manager, Bureau of System Planning & Regulatory Compliance, said that there were 106 project proposals totaling \$88 million. The projects had been sorted by priority into: 1) ongoing; 2) mandatory; 3) necessary; and 4) discretionary.

Hetch Hetchy

Project Control No. 320, Electro Magnetic Field Study-- Lawrence T. Klein, General Manager of Hetch Hetchy Water & Power, stated that this project was not necessary for this year. Commissioner Werbe suggested obtaining data from industry sources.

Project Control No. 265, Warnerville Switchyard Soil Remediation -- Commissioner Werbe expressed concern about the high ratio of soft costs, for construction management and plans and specifications, to hard costs for the construction. His concern was for this project and all projects. President Otsea expressed the opinion that toxic cleanup projects were different from construction projects because the extent of the problem is unknown at the beginning. Commissioner Werbe agreed to work with staff to look at engineering costs.

Regarding project priorities, President Otsea stated that ongoing projects should be second only to mandatory projects. Commissioner Werbe stated that revenue enhancing projects should be in a category of their own and should be top priority.

Project Control No. 24, Energy Efficiency Incentive Program -- Commissioner Werbe expressed concern about the need for this function on a long term basis. Mr. Moran replied that staff would give a presentation to the Commission at a later date.

Project Control No. 239, Mountain Tunnel Repair -- Commissioner Werbe suggested that staff try to sell the rights to photograph entry to the tunnel during inspection and repair.

The meeting was recessed at 12:05 p.m. At 1:35 p.m, the meeting reconvened in Conference Rooms A and B on the 8th Floor.

Project Control No. 23, Cherry/Eleanor Pump Upgrade-- Commissioner Werbe suggested testing all pumps for loss of efficiency.

Project Control No. 9, San Joaquin Pipeline Repair -- Commissioner Werbe suggested that staff develop an "anti windfall" provision in contracts so that a contractor cannot make an exorbitant amount on the contract. President Otsea asked whether contracts include language that consultants not use the highest air fare. Thomas Berliner, Utilities General Counsel, replied that there was a provision that all travel must have prior approval of the City.

Water Department

Cheryl Davis, Manager, Water Supply & Treatment Division, withdrew the following projects: Control No. 257, Sunol Shops Building Drainage; Control No. 96, Sunol Temple Renovation; Control No. 107, Sunol Operations Master Plan; and Control No. 110, Office Trailer Facilities.

Project Control No. 123, Bridge Across Turner Dam -- President Otsea suggested that staff review this project for an inexpensive solution for consideration next year.

Project Control No. 281, Replace Warehouse at Sunol Yard -- Ms. Davis withdrew this item.

Project Control No. 282, Enclose Electric Pumps at San Antonio -- President Otsea suggested that staff explore less expensive options.

Project Control No. 132, Calaveras Cone Valve -- President Otsea suggested deleting this project.

Project Control No. 314, Vehicle Service/Ground Water Pollution -- Commissioner Werbe stated that vehicle painting should be contracted out. President Otsea objected to combining unsimilar projects into one project and questioned having UEB supervise a general contractor to supervise subcontractors. Commissioner Werbe directed that this project be put on hold.

Project Control No. 108, Pulgas Water Temple -- Commissioner Werbe suggested that the City may want to offer this site to the State or to San Mateo County for some consideration. President Otsea stated that the Commission should make a policy decision on whether to offer this property to another governmental body.

Project Control No. 247, Seismic Protection -- Mr. Moran pointed out that as roofs are replaced they will be strong enough to accommodate recreation. He said staff have had discussions with the Department of Recreation and Parks about the possibility of using open space funds where appropriate.

Project Control No. 273, Modify Piping and Valving, San Antonio Pump Station -- President Otsea urged staff to try using \$35,000 for the initial study rather than \$50,000.

Project Control No. 339, Standby Power Facilities -- Commissioner Werbe suggested using natural gas for standby generators. He said both gas and diesel are needed in a disaster.

Project Control No. 250, CDD Warehouse Storage -- President Otsea directed that this item be put over.

Project Control No. 297, Water Quality Planning Program -- Commissioner Miller expressed the opinion that this is an expense operation and should not be in the capital budget. Mr. Moran replied that it could be shifted to the programmatic budget category.

Project Control No. 300, Information Collection Rule -- Commissioner Miller felt this was also in the wrong place and it was shifted to the programmatic budget.

Project Control No. 301, Water Quality Planning Study -- President Otsea suggested that this should be in the programmatic budget.

Project Control No. 302, Millbrae Water Quality Laboratory -- President Otsea asked as a trade-off that staff give up the laboratory at Moccasin which was agreed.

Project Control No. 106, Alameda Creek Water Collection -- this project was deleted.

Regarding the programmatic budget for administration of the Pleasanton Property Planning project, the Committee approved the requested amount of \$1,107,000.

The meeting was recessed from 4:14 pm. to 4:28 p.m.

Regarding the programmatic budget for Water Conservation, President Otsea suggested using a public relations firm rather than hiring a staff person to perform that function. Mr. Moran suggested retaining \$65,000 in the conservation budget

which staff would use for public outreach activities. Mr. Mullane stated he would submit additional information on the water conservation program. President Otsea said she wanted a fully integrated program for public outreach.

Commissioner Werbe stated that he would support any revenue generating project where the revenue is greater than our debt service on bonds.

President Otsea stated that she would like to close the chalet, cottage number 2 and the general manager's house at Hetch Hetchy. Commissioner Werbe suggested that a "friends of Hetch Hetchy" organization could maintain the chalet with private funds. Mr. Moran said he was reviewing past use of the facilities and wanted to return to the Commission with a recommendation.

Thereupon, the meeting was adjourned:

5:35 P.M.

Romaine A. Boldridge
Secretary

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CALENDAR
PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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BUDGET COMMITTEE

January 30, 1996

10:00 A.M.

Room 402

1155 Market Street, Fourth Floor

MEMBERS

Marion E. Otsea, Chair

Morton Miller

Robert K. Werbe

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call
3. Approval of Minutes

GENERAL MANAGER

Anson B. Moran, General Manager

3. Discussion of the Budget Proposals for Fiscal Year 1996-97 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will consider recommendations for action by the full Commission. (Continued from the meeting of January 11, 1996.)
4. Public Comments

ADJOURNMENT

2.10

30/96

MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

**Willie L. Brown, Jr.
MAYOR**

BUDGET COMMITTEE

**January 30, 1996
10:00 A.M.**

1155 Market Street, Sixth Floor

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MEMBERS

Marion E. Otsea, Chair

Robert K. Werbe

Henry E. Berman

DEPARTMENTS

Water Department

Hetch Hetchy

BUREAUS

Engineering and Construction Management

Finance

Information Systems

Personnel and Training

System Planning and Regulatory Compliance

**Anson B. Moran
GENERAL MANAGER**

**Romaine A. Boldridge
SECRETARY**

1. Call to Order: 10:18 a.m.
2. Roll Call: Present: Marion E. Otsea, Chair
Henry E. Berman, Member
Excused: Robert K. Werbe, Member

President Otsea introduced Commissioner Henry E. Berman as a new member of the Budget Committee, replacing Morton Miller.

3. Approval of Minutes

On motion of Commissioner Berman, seconded by President Otsea, the minutes of the following Budget Committee meetings were approved: December 21, 1995; January 3, 1996, as corrected; and January 9, 1996; carried (2-0).

4. Discussion of Budget Proposals for Fiscal Year 1996-97.

Anson B. Moran, General Manager of Public Utilities, stated that there were three outstanding issues which would be resolved at a later time: 1) detailed planning for staff increases for Water Quality and Water Supply and Treatment; 2) review of the resources in the Utilities Engineering Bureau for their ability to implement the capital improvement program; and 3) development of a financial plan for the capital improvement program.

William Laws, Director of Finance, presented revisions to the budget request. For the Bureau of Personnel and Training additional staff would be phased in over 2 years, 7 positions in the first year and 4 positions in the second year.

He reported that the Hetch Hetchy budget was adjusted to reflect FERC settlement costs and the increase in the Raker Act fees.

President Otsea stated that it was her feeling and Commissioner Werbe's that PUC should not subsidize any specific department. Any surplus funds should go into the general fund. Commissioner Berman agreed.

Lawrence T. Klein, General Manager of Hetch Hetchy, reported that the department would turn in one more car, one more pickup truck and one carpenter position.

There were no changes in the budget for the Bureau of Light, Heat and Power.

Mr. Laws highlighted some of the changes to the Water Department budget. The Hetch Hetchy assessment was increased by \$4,295,000 to reflect the FERC

settlement and the Raker Act fees. There were reductions made in operations of \$1.2 million and about \$5 million in facilities maintenance projects. Requests for new vehicles and new positions in the programmatic and facilities maintenance projects were eliminated.

Mr. Moran stated that the public information program was still being developed. The intent would be to bring together into a coordinated effort the various activities which include the water conservation group, the Hetch Hetchy water treatment project and other EIR activities. He said that this needs to occur before the end of this fiscal year. The \$65,000 that had been proposed for a public relations person would be redirected for use for professional services.

Mr. Laws reported that the Water Department had identified 15 vehicles which could be reduced from the current fleet or from the 1996-97 budget.

John Mullane, General Manager, San Francisco Water Department presented the following proposals for revenue increases: 1) sale of surplus property; 2) charge the Airport retail rates rather than wholesale rates, estimated revenue \$300,000 annually; 3) charge commercial lessees of City facilities for water use, estimated revenue \$100,000 annually; and 4) initiate a late payment charge, estimated revenue \$350,000 annually.

Mr. Mullane reported that by increasing the main replacement program \$2 million an additional 2 miles could be completed and the average age of the system would reach the 100-year target by the year 2005 rather than by the year 2020 under the present replacement rate.

The Committee supported the accelerated main replacement program.

Cheryl Davis, Manager, Water Supply & Treatment Division, stated that the current right-of-way program costs \$2 million. Adding one Right-of-Way Coordinator and one Watershed Keeper would increase the total to \$2.2 million. Ms. Davis presented 3 additional levels of funding at \$2.7, \$3.0 and \$3.3 million. President Otsea requested that the General Manager make a recommendation. Mr. Moran recommended adding the coordinator, the watershed keeper and level A funding of \$2.7 million.

The meeting was recessed from 11:42 a.m. to 2:05 p.m.

Edward Stewart, Watershed Resource Manager, presented four levels of additional funding for the watershed road management program ranging from \$74,500 to \$1,014,000. It was agreed to budget for level C (\$507,000 for road betterment costs and \$125,500 for annual maintenance, totaling \$632,500) recognizing that the amount may need to be adjusted downward later.

Mr. Moran stated that the overall increase to the Water Department budget is a little over 10%, exclusive of the capital budget.

Steve Ritchie, Manager, Bureau of System Planning & Regulatory Compliance, presented the revised Capital Improvement Program which reflected changes requested by the Committee at the January 11, 1996 meeting.

Mr. Ritchie reported that Control No. 314, Vehicle Service, was decreased from \$600,000 to \$420,000; and Control No. 64, Inter-departmental Emergency Communication, was decreased \$217,000 at the request of the Department of Electricity and Telecommunications.

Mr. Ritchie stated that several projects were moved to the programmatic budget as requested by the Committee reducing the total CIP for this year to \$55.7 million. He said that staff intended to make further reductions based upon further analysis of the department's ability to undertake projects.

Mr. Moran stated that if a \$52 million capital program were to be funded from current revenues, it would mean a 50% rate increase. If the CIP were funded from bonds, the effect on the rates could be about 5%, as a rough guess. He said that one estimate shows rates doubling in 10 years, or earlier.

Mr. Moran said staff would incorporate the changes made by the Committee and present the revised budget to the full Commission as the Budget Committee's recommendation.

Thereupon, the meeting was adjourned:

3:05 P.M.

Romaine A. Boldridge
Secretary

10

AGENDA

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

197

Willie L. Brown, Jr.
MAYOR

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BUDGET COMMITTEE

January 7, 1997

1:00 P.M. Immediately following the Special Meeting

Room 402

1155 Market Street, Fourth Floor

A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

- 1. Call to Order
- 2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

- 3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget.

ADJOURNMENT

TENTATIVE BUDGET COMMITTEE MEETING SCHEDULE

Tuesday, January 7, 1997	1:00 P.M.
Thursday, January 9, 1997	9:00 A.M.
Thursday, January 16, 1997	9:00 A.M.
Tuesday, January 21, 1997	1:00 P.M.
Thursday, January 23, 1997	9:00 A.M.

All meetings will be held in Room 402, 1155 Market Street, Fourth Floor.

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MINUTES

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PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

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BUDGET COMMITTEE

January 7, 1997

1:00 P.M. Immediately following the Special Meeting

Room 402
1155 Market Street, Fourth Floor

A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 2:15 P.M.
2. Roll Call: Commissioner Victor G. Makras, Chair
Commissioner E. Dennis Normandy
Commissioner Marion E. Otsea
Commissioner Robert K. Werbe
Commissioner Frank L. Cook
3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget.

Chairman Makras provided an overview of the Committee's budget review process and schedule of meetings. He said for the purpose of this process, staff was asked to provide the Committee with last year's actual budget, last year's actual expenditure, proposed budget, a weak link analysis and an explanation behind the new programs requested. He commented that the weak link analysis would provide the Committee the opportunity to assess existing operations and determine whether a particular service should be continued and if it is continued, at what level could it be continued efficiently with less money.

Arthur Jensen, General Manager of the Bay Area Water Users Association, urged the Commission to allow public participation in the budget review process. Chairman Makras stated that the public will have an opportunity to comment at each budget meeting.

Steven Carmichael, Director of Finance, presented a general overview of the budget for FY 1997-98 using electronic media.

Budget Assumptions

Mr. Carmichael reported that next year's proposed budget includes new programs such as the transfer of the Clean Water Enterprise to PUC; request for additional vehicles (\$1.5 million); transfer of facilities maintenance and programmatic projects (\$29.9 million) to the operating budget as directed by the Mayor's Budget Office; development of a comprehensive communications program within PUC (\$500,000); and restoration of the Sunol Water Temple.

Revenue Projections and Rate Increases

Mr. Carmichael stated that revenue projections for FY 1997-98 for the three enterprise departments were \$137.6 million (with 10% rate increase) for the Water Department, \$152.1 million (with 7% rate increase) for the Clean Water Enterprise, and \$98.9 million for Hetch Hetchy Water & Power:

Mr. Carmichael presented a "Weak Link" table listing Water Department projects in response to the Commission's request. He stated that the projects on the list were needed but were not absolutely required to deliver water to customers. Commissioner Werbe commented that in last year's budget review, the PUC Budget Committee found nothing that could be taken out of the budget. However, when the budget was submitted to the Mayor and the Board of Supervisors, the budget was reduced by \$5 to \$10 million. Mr. Moran responded that the

Mayor requested PUC to reduce the proposed 9.6% rate increase by 2%. A reduction in the PUC budget was needed to put that into effect and staff had suggested the most expendable item was the Groundwater Development Plan. Commissioner Werbe commented regarding certain project which he felt were more important than other projects.

Mr. Moran explained that the Weak Link list consisted largely of those kinds of projects that were on the margin if something needed to be taken out of the budget. He said that the budget this year did not contain a lot of weak link projects as staff have been in the process of reviewing functions while bringing together Hetch Hetchy, the Water Department and the Clean Water Program and consolidating certain functions. A Task Force is being put together led by Phil Arnold, composed of managers of various operating divisions, that will review benchmarks or competitive analysis as a means of determining where costs and functions should lie.

Commissioner Makras asked each department and bureaus to provide a list of "weak link" projects that could be cut if their budgets were reduced by 5%.

Rate Increases

Mr. Carmichael reported that the Water Department is proposing a 10% increase in retail water rates and 5.69% decrease in suburban resale water rates. The decrease in suburban resale rates is due to the application of arbitration settlement credits in 1997-98.

Commissioner Werbe asked about the reason for putting the meter replacement project on the weak link list when the department could generate additional revenues from replacing meters. Mr. Carmichael stated that the meter replacement project on the weak link list was for suburban customers. The suburban customers will reimburse the City for the costs of replacing their meters, as provided in the new contract.

The Clean Water Program is proposing a 7% increase in the sewer service charge. The Commission discussed reducing the lifeline allocation as a revenue mechanism. Currently the lifeline allocation for all residential customers is three units per household. Ann Carey stated that changing the lifeline allocation from three units to two units would increase a typical monthly bill of an average household by \$4 to \$5, that is, without the 7% increase in sewer charges. Ms. Carey stated that other utilities base their lifeline rates on customers' income.

Mr. Carmichael stated that the effect of the potential increase in water and sewer charges on a typical bill is \$5.64 bimonthly per customer.

Funding Summary

The issue of reserves was discussed. Mr. Moran stated that Hetch Hetchy has its reserve built into its capital program. Hetch Hetchy projects are funded in advance. Those funds are used for emergencies if necessary. The Clean Water Program has a rate stabilization fund of \$14.6 million that provides a cash reserve for emergencies. Mr. Moran explained that the Water Department did not carry a traditional reserve due to the Board of Supervisors' position that if every department had a reserve there would be a lot of reserves sitting around for contingencies. The Water Department carries a reserve for short term non-critical emergencies and not for major emergencies. The City's total general fund reserve is \$10 million which is not sufficient to provide what the Department needs.

Mr. Moran pointed out that the Commission could establish an objective of having current revenues cover current expenses.

Commissioner Werbe requested to show the percentage of increase and decrease on each line item in the Funding Summary.

General Manager's Budget

Commissioner Otsea asked what represented the \$1 million budget requested for the Pleasanton Property Planning. Rich Nelson, Project Manager, stated that it reflected costs that could be incurred depending on the Commission's decision concerning the development and disposition of the Bernal property. The Commission expressed objections in leaving the budget for this project open. Mr. Moran commented that no funding would be used without the approval of the Commission.

Mr. Moran stated that the General Manager's budget reflects two new proposals: (1) to create a Deputy General Manager- Finance and Administration position; and (2) to develop a Comprehensive Communications Program. The Comprehensive Communications Program is geared to coordinate all communication activities throughout PUC and will be managed by a Program Coordinator.

Thereupon, the meeting was adjourned: 3:55 P.M.

Romaine A. Boldridge
Secretary

AGENDA

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 9, 1997

9:00 A.M.

Room 402
1155 Market Street, Fourth Floor

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A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
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System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget. (Continued from the meeting of January 7, 1997.)

ADJOURNMENT

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MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 9, 1997

9:00 A.M.

Room 402

1155 Market Street, Fourth Floor

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DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

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Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 9:15 A.M.
2. Roll Call: Commissioner Victor G. Makras, Chair
Commissioner E. Dennis Normandy
Commissioner Marion E. Otsea
Commissioner Robert K. Werbe
Commissioner Frank L. Cook
3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 7, 1997.)

Chairman Makras, asked if there were any public comments. There were none.

Anson B. Moran, General Manager of Public Utilities Commission, stated that the numbers for the Clean Water Program would not go up so far as the rate analysis is concerned. The projected increase is still 7%. Not all of the overhead numbers are included in the budget materials because that information is still being developed. Last year's overhead figures were used and it is believed that this year's figures will be no higher than last year. There will be an adjustment to the matrix later.

Mr. Moran stated that all managers would present their proposals for a 5% budget reduction, as requested by the Commission.

General Manager

Mr. Moran said that he calculated a 5% reduction in the General Manager's budget by subtracting new requests, overhead and the Bernal Project from the General Manager's 1997-98 request of \$5.2 million leaving a budget of \$3,154,129. Five percent of the balance is \$157,721. He suggests that the Commission reduce the baseline by the two positions that were transferred from the Administration section of the Water Department as the 5% reduction and treat those positions as a new request. Mr. Moran summarized the budget items for consideration as: 1) the level of funding for the Bernal Project; 2) the two positions transferred from the Water Department which would reduce the span of control; 3) the second deputy position; and 4) the comprehensive communications program.

Personnel and Training

Diana Buchbinder, Manager, Bureau of Personnel and Training, stated that the Bureau provides a full range of human resources services for the Public Utilities Commission and would be assuming responsibility for an additional 600 employees who will be coming over from the Department of Public Works transition. There are no

new positions requested. She said that the budget request focused on replacement of equipment and restoration of training. Training was increased from \$5,000 to \$70,410. The 5% reduction target is \$87,159. She suggested two alternatives to achieve the 5% reduction. One would be to eliminate the entire training request and to make up the difference by eliminating one half of a position that performs classification work. The alternative would be to completely eliminate the classification analyst position and rely on the Department of Human Resources for all classification work and eliminate half of the training budget.

Commissioner Werbe suggested that staff develop a list of inequities regarding labor negotiations that could be presented to the Mayor for consideration.

Commissioner Otsea arrived at 9:45 A.M.

Chairman Makras requested line item details regarding legal expenses and anticipated settlements for Personnel matters. Commissioner Werbe requested that staff project settlements by averaging settlements over the last 10 years. Commissioner Normandy requested details on where the training money would be spent.

Finance

Steven Carmichael presented an overview of the Bureau's functions. He said that currently the Bureau has 25 employees but expects to have 35 employees when the Clean Water employees are transferred to PUC. Those positions are not included in this budget because the departments are still negotiating this issue, even though the Clean Water Program pays for 15 positions. He said that his primary objective is to upgrade the expertise of the accounting and finance sections and to upgrade positions to get more college trained staff.

Regarding the 5% reduction, Mr. Carmichael said that he would have five less employees to do the Clean Water work which would be equal to saving \$250,000. If debt service is subtracted from the budget total, he said that \$126,000 would be the Bureau's 5% target. He suggested removing the request for records management of \$100,000 and the request for an actuarial audit of benefits for retirement for a \$25,000 savings.

Commissioner Otsea expressed concern about removing funds for records management.

Commissioner Werbe inquired about the status of development of the Master Plan and emphasized the need for a long range (20 or more years) Master Plan.

Mr. Moran replied that there were three major planning efforts: 1) the Water Quality Planning effort that will be presented to the Commission this Spring; 2) the Vulnerability Study, Phase II, regarding maintaining the physical integrity of the department's assets; and 3) the Water Supply Master Plan which is just getting underway. Those are the components that will feed into the long term plan.

Commissioner Otsea suggested an overall matrix of projects and the corresponding financing.

Chairman Makras suggested that development of the Master Plan could be budgeted as a program under the General Manager.

Commissioner Otsea commented that last year the Commission was not asked to defend the budget with the Mayor and the Board of Supervisors.

Commissioner Normandy asked that staff reformat materials to itemize Services of Other Departments in each budget unit.

Management Information Services

Johannes Loffeld, Manager of the Bureau of Management Information Services, stated that the proposed budget includes a request for nine new positions. This request is separate from the transfer of nine positions to the Municipal Railway of employees who maintained the Muni systems.

Mr. Loffeld said that the budget increase was needed due to the increase in the number of computers on the information network. Currently there are about 1,000 personal computers on the network. That number is expected to increase by 200 with the addition of the Clean Water Program. This will require four new positions and \$600,000 for equipment. Also, there is a need for more money in Materials and Supplies. The budget also includes funds to move certain systems, such as payroll, personnel, capital projects and maintenance systems to better technology.

Regarding the 5% reduction, Mr. Loffeld said that any cut would be in the information network PC support - one position and the balance from Materials and Supplies.

Commercial Land Management

Garrett Dowd, Manager, Bureau of Commercial Land Management, stated that there were seven positions in the Bureau, one of which was vacant. No new positions were requested. Regarding the 5% reduction, he said that he would reduce Services of Other Departments which funds the Department of Real Estate to manage Hetch Hetchy and Clean Water leases and absorb the work when the vacancy is filled.

In response to questions from the Commission, Mr. Dowd said that this year's anticipated revenue is \$5.5 million and next year's projection is \$6.2 million.

Commissioner Makras asked for information on possibilities of investment spending by using outside experts to increase leases to market values.

Customer Service

John Mullane, Manager, Bureau of Customer Service, summarized the functions of the Bureau. He pointed out that the work plan includes developing public information programs for crews working in the street and information on the PUC's infrastructure needs. Also the Bureau plans to implement several proposals to make the Bureau more user friendly, such as, scheduling inspections on Saturdays and reinstituting "night man" (swing shift) service to turn on water service that was disconnected for non payment of the bill.

Mr. Mullane said that the budget request is \$70,000 less than the current year's budget after deducting amounts transferred from other budget units. There are 21 new positions, 19 of which are transfers from other departments and two are currently contract positions.

Regarding the 5% reduction, he suggested saving \$95,000 annually (\$71,000 for nine months in 1997-98) by transferring two employments from contract employees to Civil Service; eliminating an \$11,000 escalation charge from one contract; deleting a vacant position transferred from Bureau of Environmental Regulation and Management (BERM) for a savings of \$52,000; eliminating two inspection positions transferred from BERM for a savings of \$114,000; deleting \$42,000 in Facilities Maintenance related to cosmetic upgrades; and eliminating the contract for disposing of toilets with a recycler for a savings of \$40,000. Mr. Mullane said that the total savings was \$72,000 short of the 5% goal of \$410,000. He requested consideration for the fact that the total request was \$70,000 less than last year's budget. If that would not be acceptable, he suggested a miscellaneous deduction to be determined before the budget was finalized.

Chairman Makras accepted the list of reductions as presented. Chairman Makras and other members of the Commission complimented Mr. Mullane for his excellent presentation and further complimented him for the professional package of 5% reductions presented to the Commission. The reductions identified by Mr. Mullane would not reduce the level of service. Mr. Moran pointed out that there was a policy issue imbedded in the elimination of the contract for recycling toilets.

Environmental Regulation and Management

Steve Medbery, Manager, Bureau of Environmental Regulation and Management, said that the major increase in the budget request was for two new Health and Safety positions. He said that the department received a compliance order from the Department of Health Services for not meeting legally mandated requirements. Two new positions were requested this year and two more will be requested next year.

Chairman Makras requested a copy of the lease for office space in Bayview Plaza.

Regarding the 5% reduction, Mr. Medbery said that he would cut \$300,000 from consultant services which is budgeted as an insurance policy for addressing compliance orders that may occur during the year. For the balance of the money, he would look to salary savings for \$35,000, equipment for \$20,000, and professional services for \$10,000 to \$15,000 to reach the 5% target of \$380,000.

Chairman Makras requested a separate listing of legal fees and a separate line item on settlements.

Chairman Makras requested public comments.

Mr. Arthur Jensen, General Manager of the Bay Area Water Users Association, commented on the reorganization of the Water Department. He spoke in support of the current organizational structure and expressed reservations about the creation of a new deputy level in the management structure. He suggested that \$15,000 was not enough money to budget for a Financial Plan that would provide a basis for decision making on the Capital Improvement Program.

Thereupon, the meeting was adjourned:

12:15 P.M.

Romaine A. Boldridge
Secretary

AGENDA

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 16, 1997

9:00 A.M.

Room 402
1155 Market Street, Fourth Floor

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A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget. (Continued from the meeting of January 9, 1997.)

ADJOURNMENT

MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 16, 1997

9:00 A.M.

Room 402
1155 Market Street, Fourth Floor

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Marion E. Otsea
Robert K. Werbe
Frank L. Cook

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Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 9:14 A.M.

2. Roll Call: Present: Commissioner Victor G. Makras, Chair
Commissioner E. Dennis Normandy
Commissioner Marion E. Otsea
Commissioner Robert K. Werbe
Commissioner Frank L. Cook

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 9, 1997.)

Anson B. Moran, General Manager of Public Utilities, gave an electronic presentation on the strategic direction of the department beginning with the mission statement. He said that at the conclusion of the budget process staff would request the Commission to adopt a revised mission statement. He discussed several areas of uncertainty such as: the Bay Delta and the City's water rights; the needs of the suburban customers; changes in water quality regulations and deregulation of the power industry; and the department's ability to finance needed water improvements.

Mr. Moran outlined the department's strategy as follows: protect the City's water rights; plan for the future; focus on operations which is our fundamental job; improve support services; and increase public support. This strategy is reflected in the budget request.

Commissioner Werbe suggested budgeting funds to review Civil Service rules and initiate a ballot proposition to address personnel problems. Mr. Moran replied that he would discuss the issue with the Director of Human Resources and the Mayor's Office.

Commissioner Normandy suggested inviting the Director of Human Resources to make a presentation to the Commission.

Regarding increasing public support, Mr. Moran stated that the Mayor's Office had indicated interest in creating a Mayor's Task Force to look at rates. The department will propose a bond measure of approximately \$300 million for the November 1997 ballot.

Mr. Moran said that the format for each manager would be: to present their mission statement and the scope of responsibilities of their organization; to assess the state of their organization on a scale of 1 to 5 and their projection for where they should be at the end of next year if their request is approved; and to identify any impediments to moving faster.

Water Quality

Andrew De Graca, Manager of Water Quality, stated that the department is in a growth phase. He rated the department at a 2 now, and said that with the resources that are anticipated, he expected the department to rate a 3 at the end of next year. He noted that the City's disciplinary procedures needed revision. Mr. De Graca described the major items in his budget request.

Commissioner Otsea stated that there had been a proposal that the Bay Area water agencies consider having a first rate laboratory in the Bay Area so that testing of samples could be done locally and at less cost. She said that she had been pursuing this through the Water Forum.

Regarding the 5% reduction, Mr. De Graca stated that salaries were 58% of his budget. He suggested that as vacancies occur he would look at whether there were more efficient ways of doing the work or contracting work. He said that he would review all sampling programs to determine if the samples were still needed. There may be a net increase due to new regulations but there could be some savings.

Commissioner Otsea pointed out that samples could be delivered from Moccasin more cost effectively by using Federal Express.

Regarding lab integration, he said that one Chemist position could be freed and the lab could absorb the lead testing program sponsored by the Mayor's Office without additional resources. The department will not need to purchase an ICP instrument for a savings of \$120,000. He said that the labs have excess capacity. The department will try to increase revenues by performing work for other departments.

The meeting was recessed at 10:35 a.m. and reconvened at 10:45 a.m.

Water Supply and Treatment

Cheryl Davis, Manager, Water Supply and Treatment, rated the department at a 3 now; it was a 2 four years ago and with the proposed budget it would be a push to get to a 4 by the end of next fiscal year. She said that she was concerned about being able to have strong financial support. She cited the hiring process and the City's salary and benefit levels as problems in trying to recruit good technical employees.

Regarding the 5% efficiency list, Ms. Davis said that she separated the items into two groups - the first are items which could be eliminated without a sacrifice to operations, the second, are items offered for consideration but not recommended. Ms. Davis said that: \$75,000 could be cut from suburban customers meter replacement; \$150,500 could be reduced from facilities maintenance cathodic protection; and \$10,000 could be cut from staff training. There were also cuts in equipment, including a mower, a computer station and audio/visual equipment. Under items offered, but not recommended, she said that watershed and facility fencing could be cut \$50,000; a

potable water truck could be cut for a savings of \$135,625; an air compressor for \$18,445; and emergency generators for lighting the watershed could be eliminated.

Commissioner Otsea said that she was opposed to using raw water or any other kind of water except recycled water for dust control. She asked for the amount of water used for dust control.

Commissioner Werbe suggested paving the roads to save on maintenance costs.

Chairman Makras requested that staff determine the total cost of maintaining City owned housing including water, electricity, scavenger, repairs, maintenance and capital improvements.

City Distribution Division

Robert Badgely, Interim Manager, gave an overview of the division and its functions. He rated the unit a weak 2, and said that it could go up to a 3 with this budget. He cited as constraints that were holding CDD back from being an excellent organization: 1) the struggle between the old ways of doing business and the technology of the 90's; and 2) people have become complacent with a very outstanding water system that has been very forgiving. The system is now becoming strained by the increasing demands of the Department of Health Services, the increasing age of the system and the neglect in preventative maintenance over the years. He listed two budget objectives: 1) to provide personnel and equipment to extend the service area to Treasure Island, and later Hunters' Point; and 2) to improve reliability of above ground operations, such as reservoirs, tanks and pumping stations.

Regarding the 5% efficiency recommendations, he recommended deferring painting facilities for a savings of \$350,000. Commissioner Cook suggested possibly deferring only part of the painting.

Commissioners Werbe and Otsea inquired about the computerization of maps and gatebooks. Gregory Tom, Manager, City Distribution Division, replied that they are half way through conversion of 200 sets of drawings. Mr. Tom reported that the computer assisted design program had been under continual change and the format was updated. This conversion project was caught in the middle of those changes.

Chairman Makras requested that staff calendar an update on the computerization of the gatebooks.

Commissioner Otsea inquired about the reduction of gardeners and going to less lawns and more water sparing plants. Jeff Murray, Superintendent, Buildings and Grounds, replied that trees and shrubbery that create maintenance problems were being eliminated and replaced by smaller shrubs. At Merced Manor, mature shrubs were replaced with lawn because it is easier to maintain with heavy mowers. Commissioner Werbe said that the mower that was approved in last year's budget

was specifically requested for cutting growth on the right of way for fire prevention not for cutting lawns. Commissioner Werbe expressed his dissatisfaction that staff would plant more grass after last year's discussions about the elimination of grass.

Mr. Moran said that he was surprised that turf grass had been planted anywhere. Last year an outreach program was designed to hold meetings in the four corners of the City. There was a problem in scheduling those meetings.

Chairman Makras requested that staff calendar this issue for consideration by the Commission.

Commissioner Normandy said that he wanted a summary made of all decisions which the Commission may make in the course of adopting the budget and what the ramifications of those decisions may be.

Mr. Moran announced that the next Budget Committee meeting, on January 21, 1997, would cover budget proposals for Hetch Hetchy, the Utilities Engineering Bureau and the Bureau of System Planning and Regulatory Compliance.

Thereupon, the meeting was adjourned: 12:25 P.M.

Romaine A. Boldridge
Secretary

AGENDA

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 21, 1997

1:00 P.M.

Room 402
1155 Market Street, Fourth Floor

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Marion E. Otsea
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Frank L. Cook

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Water Department
Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget. (Continued from the meeting of January 16, 1997.)

ADJOURNMENT



2.10
2
21/97
2

MINUTES

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 21, 1997

1:00 P.M.

Room 402
1155 Market Street, Fourth Floor

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Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

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Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 1:10 P.M.

2. Roll Call: Present: Commissioner Victor G. Makras, Chair
Commissioner E. Dennis Normandy
Commissioner Marion E. Otsea
Commissioner Robert K. Werbe
Commissioner Frank L. Cook

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 16, 1997.)

Chairman Makras opened discussion regarding how the Commission wanted to proceed with the budget.

Commissioner Otsea requested that staff provide their 5% reductions in writing.

Commissioner Werbe expressed concern about staff's response to his comments on lawn care. He said that it was very offensive to him, and to others, to see a lush green lawn when people are being asked to conserve water.

Commissioner Normandy suggested that staff prepare three spreadsheets: 1) to show the staff recommendations if the Commission were to adopt a zero rate increase budget; 2) to show the staff recommendation on a "wish list" basis; and 3) somewhere in between which would reflect the 5% reductions. After discussion, Mr. Moran suggested that staff could take the large matrix and deduct the 5% from the baseline. Chairman Makras suggested that each department head prepare a half page listing of their 5% reductions; the managers may make adjustments to their oral presentations so that core operational items are not offered in the 5% efficiencies lists. The General Manager could add his comments and recommendations to each page.

Chairman Makras pointed out that the Commission could go through each item and if \$6 million is saved in efficiencies, there could be a zero rate increase and the same level of reserve.

The Committee decided to schedule a final meeting of the Budget Committee for Monday, February 3, 1997 at 1:00 P.M. to allow time for preparation of requested information.

Commissioner Normandy suggested that after the Commission makes decisions on the budget, the Commission should follow through and vote on resolutions to establish policies to give firm direction to staff.

Mr. Moran summarized the activities of the Commission and staff regarding turf grass. He said that in September 1995, the Commission had a presentation on the subject. Former Commissioner Salma thought turf for soccer was good, while other Commissioners had different opinions. It was decided to go out into the neighborhoods for input. This did not happen. He said that staff did implement a hiring freeze on gardeners which is still in effect and there was a net reduction in lawn area.

Commissioner Normandy requested that staff calendar an item regarding a policy on turf grass.

Hetch Hetchy

Lawrence T. Klein, General Manager of Hetch Hetchy Water and Power, assessed the department at 3½ and described the mission and functions of the department.

Regarding the 5% reduction request, Mr. Klein said that over the last three years the department had met increasing demands without significantly increasing staff. The current budget request is for one position and no new vehicles. As new employees were hired vehicles were assigned from the pool resulting in a savings of \$100,000. Two trucks will be turned in and not replaced and two electric vehicles will be turned over to the Clean Water Program. Other resources have been redirected. He said that one cost reduction initiative was installation of an automatic generation control as part of the SCADA system. Over time, this would allow redirection of operator positions. Mr. Klein said that the City had begun to take ownership of certain substations and in doing so had save the Airport \$4.5 million. He said that he thought the capital program was a place to save money.

Commissioner Werbe said that he wanted to see a plan to phase out employee housing. He said that he was not interested in taking away housing from current employees but he did not want the practice to continue for new employees. Mr. Klein replied that a plan had been prepared and was in abeyance pending resolution of a lawsuit.

Mr. Klein stated that no new employees had been added to the housing roll since this issue was first discussed; lawns had been killed; and electricians, plumbers and carpenters had not been spent on housing. They only fixed what was broken.

Chairman Makras asked that staff calendar an item on employee housing. Mr. Moran suggested calendaring the matter for February 25, 1997.

Commissioner Werbe suggested studying giving automobiles to employees and paying employees mileage for using their own vehicles.

Commissioner Otsea inquired about the continuation of the budget subsidy to the Municipal Railway and supported its elimination. Chairman Makras suggested

combining it with the Hetch Hetchy transfer to the General Fund and noting it in the letter of transmittal. Commissioner Otsea suggested combining the transfer for a total amount of \$35 million rather than \$37.5 million. Commissioner Normandy suggested that staff confer with the Mayor's Office prior to the Commission taking action on this matter.

The Committee recessed from 3:00 P.M. to 3:10 P.M.

Engineering

Robert T. Cockburn, Manager, Utilities Engineering Bureau, said that he planned to use existing positions in the current budget to form a small group at Moccasin which would focus on Hetch Hetchy's capital improvement program.

Regarding the 5% reduction, Mr. Cockburn stated that the money to be saved would be in effectiveness and efficiency in how we put out our larger projects. Approximately 25% to 35% of a project is soft costs.

Mr. Cockburn rated the organization a 2 now and expected that next year it would be between a 3 and a 4. The budget request is for 31 new positions, or a one-third increase in personnel. He stated that the current Water Department Capital Improvement Program is \$25 million, next year it will be \$76 million, the following year it will be \$105 million and increasing in subsequent years. Mr. Cockburn stated that the budget proposal includes an increase in Training and Travel for professional development of staff.

System Planning and Regulatory Compliance

Steve Ritchie rated the organization as a 2 and expected the rating to be a 3.5 next year.

Regarding the 5% reduction, he suggested eliminating \$13,000 for multimedia equipment. He said one position could be eliminated from the Water Resource Plan, though this was not recommended, for a reduction of \$80,000.

Commissioner Werbe inquired about the 15-20 year plan.

Mr. Ritchie stated that we have a draft 10 year plan and there were two products that would form the base for the longer term plan. The first, the Water Supply Master Plan relating to how much water will be needed in the future and what needs to be built to deliver that water. The second is the Vulnerability Study relating to the vulnerabilities of the system based upon age, seismic vulnerability, fire and other weak links that need to be addressed.

Public Comments

Arthur Jensen, General Manager, Bay Area Water Users Association, said that he was encouraged by the Commission's desire to have a first rate utility. He said that some of the reductions the Commission may adopt may have service implications to the larger regional system. He urged the Commission to focus on the City's hiring and firing process. Regarding the City's contribution to overhead, he said that the BAWUA paid a portion of it, however, they did not pay anything toward the Municipal Railway transfer. He said that he did not want to see SPARC positions reduced.

Mr. Moran announced that the next meeting of the Budget Committee would be January 23, 1997 and would cover the Clean Water Program and the Capital Improvement Program.

Thereupon, the meeting was adjourned: 4:00 P.M.

Romaine A. Boldridge
Secretary

AGENDA

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 23, 1997

9:00 A.M.

Room 402
1155 Market Street, Fourth Floor

A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

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Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

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ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. The Budget Committee will make recommendations to the Commission for final Commission approval of the budget. (Continued from the meeting of January 21, 1997.)

ADJOURNMENT



2.10
2
23/97
2

MINUTES

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

January 23, 1997

9:00 A.M.

Room 402

1155 Market Street, Fourth Floor

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DEPARTMENTS

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Hetch Hetchy
Clean Water Program

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction Management
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Jill R. Thompson
ACTING SECRETARY

1. Call to Order: 9:10 A.M.

2. Roll Call: Present: Commissioner Marion E. Otsea
Commissioner Robert K. Werbe
Commissioner Frank L. Cook

Excused: Commissioner Victor G. Makras
Commissioner E. Dennis Normandy

Commissioner Otsea chaired the meeting.

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 21, 1997.)

Bureau of Water Pollution Control

Commissioners Werbe and Cook discussed the issue of the North Point Plant not being in use in the summer and what use was made of the employees during that time. Staff explained that during the summer maintenance, training and vacation coverage was needed. Commission expressed interest in possibly using such employees in other parts of the PUC such as Hetch Hetchy or the Water Department. William Keaney, Manager, Bureau of Water Pollution Control, agreed saying that there were areas that possible coordination and transfer of manpower might be applied.

Commissioner Cook asked about the cost of shift work and overtime. Mr. Keaney explained that staff now work a 12-hour shift and that this had been very productive from both a management and employee perspective and it was cost neutral. Commissioner Cook questioned that the practice was cost neutral.

The South East Community Facility (SECF) operation and maintenance were discussed. Robert Cockburn, Manager, Utilities Engineering Bureau, gave a history of mitigation measures that were tied to the construction of the treatment plant. The Commission expressed some concern that this facility was being run by the Bureau of Water Pollution Control rather than other departments in the City. Toye Moses, Executive Director of South East Community Facility, explained that the facility was leased. Commissioner Werbe requested that the Executive Director provide copies of the leases. Mr. Moses stated this would be done.

The Commission felt that "Service to Other Departments" should be broken down and more back up provided. Commissioner Werbe requested a copy of the work order to the Department of Public Works. Mr. Keaney said this would be provided.

Janitorial services at the SECF were raised by Commissioner Werbe and he expressed dismay at using city janitors (DPW) rather than contracting out to the Community. He said he had tried to change it last year at the Water Department but the Board of Supervisors had not gone along with the idea, but he would be interested in trying it again.

Mr. Moses invited the members of the Commission to visit the South East Community Facility.

5% Cuts

Mr. Keaney stated that he would recommend \$400,000 in overtime, \$200,000 in sludge disposal and \$800,000 in chemical contingency for a total of \$1.4 million. He also said that there was money that could be cut, although he was not recommending it, as follows \$150,000 in landscaping and \$200,000 in building maintenance (Service to other Departments).

The Chair asked for Public Comment. There being none, the Commission called a 15-minute recess at 10:55 a.m.

The meeting reconvened at 11:10 a.m.

Capital Program

Commissioner Werbe expressed dismay that the Sunol Temple restoration was in the budget. He stated that he wanted to see how the Temple project relates to the overall master plan and he was also concerned about the cost of maintenance, once restored. It was decided that, because neither President Normandy nor Chairman Makras were in attendance, this matter should be brought to the full Commission for discussion prior to the budget being adopted.

The Commission asked that spread sheets and, all detail material, be done in 12 pt. or 14 pt. type, as they were unable to read some of the material.

City Distribution Division

The issue of the vehicle service unit being upgraded was of concern to the Commission in that it was felt a full Vehicle Maintenance Plan was needed for the entire PUC. The Commission asked that this item be eliminated from the Capital program until such a Plan could be discussed. Commissioner Werbe stated that he and the General Manager would be in contact on this matter. The Commission stressed, however, that if safety issues were involved, then the matter should be brought to the Commission for consideration on those particular issues. Commissioner Werbe expressed his opinion that vehicle maintenance in today's market could be done cheaper by outside contractors than in house. He also felt that vehicles should be released after two to three years and new ones bought.

City - Other Projects

Groundwater

The Commission asked for detail cost for drilling and installing wells. Mr. Cockburn stated he would provide that information. Commissioner Werbe also expressed concern about the PUC getting into the groundwater business. The City Attorney stated that this had been the subject of debate and the City Attorney's opinion had been that any water, including ground, should be under the jurisdiction of the PUC.

Miscellaneous

Commissioner Otsea asked if money was still in the budget for maintenance of watershed roads, right of ways and water main repair and replacement as stipulated by the Commission's budget committee last year. She was assured that this was so.

The next meeting is scheduled for February 3 at 1:00 p.m. at which time the Commission will consider the 5% and weak link lists. Commissioner Otsea also stated that the Commissioners would make known their individual long range goals for the PUC.

Thereupon, the meeting was adjourned: 12:15 P.M.

Jill R. Thompson
Acting Secretary

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AGENDA

PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

DOCUMENTS DEPT

JAN 23 1997

SAN FRANCISCO
PUBLIC LIBRARY

BUDGET COMMITTEE

February 3, 1997

1:00 P.M.

Room 402
1155 Market Street, Fourth Floor

A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program
Management

BUREAUS

Commercial Land Management
Customer Service
Engineering and Construction
Environmental Regulation and Management
Finance
Information Systems
Personnel and Training
System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 402, 1155 Market Street, Fourth Floor, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: Muni Metro Lines J-Church, K-Ingleside, L-Taraval, M-Oceanview, and N-Judah at Civic Center Station; and surface lines 9 and 9X San Bruno, 19 Polk, 26 Valencia, and 71 Haight Noriga. For information about MUNI accessible services call 923-6142.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Romaine Boldridge at (415) 554-3165 to make arrangements for the accommodation. Late requests will be honored, if possible.

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Know your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public.

Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, 401 Van Ness Avenue, Room 402.

1155 Market Street Fourth Floor Meeting Room Safety Announcement

If there is an emergency that requires meeting attendees to evacuate the building, everyone should exit the building in a calm manner using one of the two exit stairways. **Do not use the elevators.**

Your primary exit stairway is located through the elevator lobby and to the right past the restroom. If the exit is not useable, PUC staff will direct you to the alternate exit.

All exit ways are marked by green overhead exit signs. In the event that the building alarm is activated, fire doors that are usually left open may close but they will not lock. You may have to go through a closed door to reach the exit stairway.

If you require assistance in evacuating, please request the aid of PUC staff.

ORDER OF BUSINESS

1. Call to Order
2. Roll Call

GENERAL MANAGER

Anson B. Moran, General Manager

3. Public Hearing - To consider making a recommendation to the Public Utilities Commission on the Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 23, 1997.)

ADJOURNMENT



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MINUTES

PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown, Jr.
MAYOR

BUDGET COMMITTEE

February 3, 1997

1:00 P.M.

Room 402
1155 Market Street, Fourth Floor

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PUBLIC LIBRARY

A COMMITTEE OF THE WHOLE

Victor G. Makras, Chairman
E. Dennis Normandy
Marion E. Otsea
Robert K. Werbe
Frank L. Cook

DEPARTMENTS

Water Department
Hetch Hetchy
Clean Water Program

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System Planning and Regulatory Compliance
Water Pollution Control

Anson B. Moran
GENERAL MANAGER

Romaine A. Boldridge
SECRETARY

1. Call to Order: 1:12 P.M.
2. Roll Call: Present: Commissioner E. Dennis Normandy
Commissioner Robert K. Werbe
Commissioner Victor G. Makras

Commissioner Frank L. Cook arrived at 1:17 P.M.

Commissioner Marion E. Otsea arrived at 1:24 P.M.

3. Public Hearing to consider Budget Proposals for Fiscal Year 1997-98 for the departments and bureaus under the jurisdiction of the Public Utilities Commission. (Continued from the meeting of January 23, 1997.)

Chairman Makras thanked Commissioner Otsea for chairing the Budget Committee meeting on January 23, 1997.

Chairman Makras requested an amendment to the Minutes of January 16, 1997. On page 97-14 regarding his comments on housing maintenance, he pointed out that the minutes refer to sanitary services. He said that his intention was the total cost of the housing: electricity, water and maintenance.

Anson B. Moran, General Manager of Public Utilities, assessed the organization overall as a 3, on a scale of 1-5. He discussed where the organization is now, where he expected it would be at the end of the 1997-98 budget year, and some of the limiting factors. At the end of the next fiscal year, he projected that: management would be stronger; staffing levels would be higher in Water Quality and Water Supply and Treatment; the Watershed Management Plan would have been completed; the Utilities Engineering Bureau would be well along in the process of gearing up for the capital program; the capital funding program would be in place; the most urgent capital programs would be well underway; there would be a new housing policy; there would be a new program for maintaining our fleet; and there would be benefits from combining with the Clean Water Program. He expected the organization to be about a 3½. He discussed limiting factors.

Chairman Makras stated that there had been a definite improvement in the organization since he was first on the Commission. He commended the General Manager and all of the managers who presented budgets to the Committee.

Chairman Makras asked each of the Commissioners to share their rating of the organization.

Commissioner Otsea rated the department overall as a 3, up from 1½ in January, 1995. She projected that if all of the proposed plans were adopted and carried out, the department would be a four by 1998 and 4½ by the year 2000. She said that upgrading the system should have the highest priority. The next most important issue is to protect the City's water rights and establish reliable water supply to meet projected demands for the year 2025. Rates should be kept at the lowest possible level taking into consideration the cost of necessary repairs and replacements to the system. Management and staffing should be reviewed by an outside consultant. Regarding a 5% reduction, she said she would prefer to seek additional ways to produce the revenue. If a reduction is necessary, she recommended reducing spending on vehicles, housing and public relations programs and goodwill gestures.

Commissioner Werbe congratulated Commissioner Otsea and expressed his agreement with her comments. He said that he wanted to see the continued effort to make the department the finest utility in the United States. He rated the department a 3, and said that it was on the way to a 4½.

Commissioner Cook congratulated the staff and rated the management team close to a 5. He acknowledged the difficulties of managing a large department. He said that the structure is sound and that the management team had a good grip on the process of excellency and achieving goals.

Commissioner Normandy rated the department 3.5, on a steady march to 3.75, and by the end of the year he expected it to be a solid 4. He said that two years ago the department was managing by crisis. Among the biggest pluses the department has is a staff that has a true sense of ownership of the system, a brilliant general manager with scope and vision, and a Commission with diverse skills that has focused on generating more revenue for the City from the department's resources. Regarding minuses, Commissioner Normandy said that we are trying to turn around an ocean liner. We have the kind of infrastructure in the City that cannot be changed overnight. He said that he wanted to see the Commission kept more in the communications loop. The most crying need is to get the public to accept that the department needs to raise money for infrastructure improvements. He stressed the need for a comprehensive communications program to educate all segments of the public and the need to renovate the Sunol Temple. He said if we cannot look at the past we cannot be counted upon to look at the future.

Chairman Makras rated the organization a 4.75. He pointed out that the rate paying base is constant and the source of our water is nature. He commented that the department could improve by responding faster. He outlined his vision as: preserving our water rights; delivering the best water quality; using Hetch Hetchy funds to improve the system rather than contributing to the general fund; being more considerate of the rate payer; being aggressive on obtaining revenues from our land; discarding incidentals; raising the dam at Hetch Hetchy; and integrating senior management. Regarding the 5% reductions, he suggested: saving on use of lawyers

and how lawsuits are handled; consider savings from vehicles; look at housing policy; and streamlining our process.

Mr. Moran stated that the revised funding summary for the Water Department assumes: no 5% reductions; all new programs will be funded; no in-City rate increase; and a projected unappropriated balance at the end of next year of \$3.7 million. Any savings the Commission agrees to take will increase the unappropriated balance.

Commissioner Normandy stated that at some future date he wanted to look at the Capital Improvement Program and develop a rate strategy for the Capital Improvement Program covering a 10-year period.

Commissioner Makras recommended no rate increase and accepting the General Manager's proposal.

Commissioner Otsea recommended raising rates to accomplish replacing aging infrastructure. She suggested raising rates 25% to 50% and promising not to raise rates for 2, 3, 4 or 5 years.

Commissioner Cook recommended increasing rates gradually. He said that he did not think the rate payers would accept a 25% to 50% increase.

Commissioner Werbe said you cannot tell people "trust me" for a number of years not to raise rates. He recommended just keeping up with inflation and actual costs. He said that bonds should take care of the Capital Improvement Program. He recommended that PUC stop giving money to the general fund and to the Municipal Railway.

Commissioner Normandy said that because of the Capital Improvement Program, it would be counterproductive to have no rate increase at all. In the absence of a rate strategy, he recommended approving the budget on the basis of no rate increase and adding 5% to be used to maintain the reserve.

Mr. Moran distributed revised mission statements for the Commission's consideration for adopting the budget.

Commissioner Otsea inquired about the effect of reducing the number of units eligible for the lifeline rate from 3 units to 2 units.

Ann Carey of the Clean Water Program replied that each unit is equal to \$11.3 million annually. Eliminating one unit from the lifeline rate would offset the need for a sewer rate increase next year.

Mr. Moran stated that summary sheets were prepared for each budget showing the new proposals and 5% reductions, grouped by those that were recommended and those that were not recommended by staff. The Commission considered each budget.

Hetch Hetchy - The Committee accepted the new proposals. There were no proposed reductions.

Water Supply - The Committee accepted the new proposals and the recommended reductions. Commissioner Otsea moved to add the potable water truck to the reduction list. It was approved by common consent.

City Distribution Division - The Committee accepted the new proposals and no reductions were made.

Pollution Control - The Committee accepted the new proposals. Landscape Maintenance, \$150,000 was moved to the recommended reductions list. Commissioner Cook spoke against scheduling employees for 12-hour shifts. Commissioner Werbe concurred, and said that the work rules should be addressed. He said that millions of dollars are being lost.

Commissioner Werbe requested that the Commission revisit the issue of contracting for janitorial services for all PUC buildings. The revised recommended reduction list was accepted.

Water Quality - The Committee accepted the new proposals and did not make any reductions.

Environmental Regulation - The Committee accepted the new proposals. Chairman Makras recommended reducing \$200,000 from the professional services budget for as needed services. The reduction was accepted.

Utilities Engineering - System Planning - Customer Service - Finance - Personnel - Management Information Services - The Committee accepted the budget proposals as presented.

Commercial Land Management - Chairman Makras recommended including \$100,000 under professional services to spend for professional assistance to bring leases up to market value. The Committee accepted the budget with the \$100,000 addition.

General Manager - The Committee accepted the budget as presented.

Mr. Moran presented a revised "weak link" list.

Regarding grazing, Mr. Moran stated that the Commission would set a date for a hearing regarding the Preferred Alternative for the Watershed Management Plan at the February 11, 1997 meeting.

Chairman Makras stated that he was aware that there was a problem with young cattle grazing on our property. They are carriers of cryptosporidium. He said that he believed the Commission should move as quickly as possible to address the issue.

The steps of terminating leases can be done at a regular meeting and then the issue could be calendared to address changing master plans.

Mr. Moran stated that an item to terminate grazing leases would be calendared for February 11, 1997.

Chairman Makras said that he also wanted the discussion to include a policy on grazing leases as a whole, what we will do with future leases, month to month leases and long term leases. He said that his goal was that the Commission be able to act on this matter.

Mr. Moran said that a place holder item would be calendared and it would be noticed as broadly as possible to allow the Commission to act. Staff will prepare a discussion for the meeting.

Mr. Moran stated that a few of the vehicle requests were restored in the budget.

Regarding the "weak link" list, the Committee accepted the Treasure Island Revenue Offset.

Capital Improvement Program

Mr. Moran stated that the capital program for the Water Department and the Clean Water Program was shown in the budget through debt service. The capital program for Hetch Hetchy will be revenue funded. The Water Department's capital program is \$76 million. Bonds were sold to cover the cost. However, since they were not approved by a vote of the people, the funds can only be used for repair and replacement. Some of the items in the capital program are classified as additions and betterments. These items will need to be funded from revenues. Funding has been identified for most projects. About \$10 million more needs to be reappropriated. Staff will submit an item to reappropriate funds at a later time.

Commissioner Werbe confirmed that projects in the capital budget would require a separate vote on each item before staff could proceed with the project.

Chairman Makras said that he wanted to see staff proceed soon on the Sunol Water Temple Restoration project.

Commissioner Normandy supported the restoration project and said, that if we cannot be trusted with the past, how can we be trusted with the future.

Commissioner Werbe suggested that staff obtain input from the Commission before proceeding with the Millbrae buildings projects.

Chairman Makras said that he wanted to see fire protection issues and American with Disabilities Act (ADA) issues as priority items to be done as soon as possible.

Chairman Makras requested that staff brief the Commission on the Rehabilitation of Sunset Supply Pipeline @ Kaiser Hospital Project.

Chairman Makras requested on behalf of the Budget Committee that staff present a plan in 60 days for the Sunol Temple project which includes a funding mechanism and a construction program.

Commissioner Werbe questioned the budget amount of \$200,000 for design of a \$1 million project.

Chairman Makras stated that he would be open to having a contest for design of the project.

Motion by Commissioner Cook, seconded by Commissioner Normandy to approve the actions of the Budget Committee, approving the revised budget with no in-City rate increase, changing the unappropriated reserve to \$4,337,000 approving the Capital Improvement Program as submitted by the General Manager, and authorizing the General Manager to revise the Mission Statements for review and approval by the Commission on February 11, 1997. The motion carried by unanimous vote (5-0).

Chairman Makras commended the General Manager and staff for their presentations.

Thereupon, the meeting was adjourned: 4:16 P.M.

Romaine A. Boldridge
Secretary

